

**MEMORANDUM**

**TO: Commissioners McCarty, Hadley, Landis, Ripley and Ziegner**  
**FROM: Jerry L. Webb, Director of Gas/Water/Sewer Division**  
**DATE: December 30, 2003**  
**RE: Utility Articles for Next Conference**

The following Final Article A is submitted to each of you to acquaint you with the tariff eligible for action or acceptance on or after January 7, 2004.

**“A” Final**

The following miscellaneous item will be eligible for final consideration at the next Commission Conference and based on a review of it by staff members of the Commission, I recommend approval.

**1. Indiana Michigan Power Company, d/b/a American Electric Power**

The Utility has submitted for Commission review a request for approval of fiscal Year 4, third quarter, net merger savings reduction rider factors pursuant to the Commission's April 26, 1999 Order in Cause No. 41210 relating to the merger of American Electric Power Company, Inc. and Central and South West Corporation. These factors reflect the fiscal Year 4 required rate reduction adjusted for the fiscal Year 3 reconciliation of actual versus projected kWh sales.

The Settlement Agreement in Cause No. 41210 specified that the annual bill reduction amounts would be allocated to rate classes based upon total revenues, excluding fuel cost adjustment, and credited to customers' bills through the application of a per kilowatt-hour (kWh) factor specific to each rate class. The Agreement also stated that each individual year's bill reduction would apply for a twelve-month period except for an adjustment during each third quarter to reconcile actual kWh sales and projected kWh sales for the prior year.

As also described in AEP's testimony in Cause No. 41210, prior to the beginning of each fiscal year following consummation of the merger, AEP will make a 30-day filing to establish the net merger savings reduction rider factors to effect that fiscal year's customer bill reduction. Prior to the third quarter of each fiscal year (except the first fiscal year), a 30-day filing will be made to establish the adjustment to the riders, to reconcile actual kWh sales and projected kWh sales for the prior fiscal year. The adjusted rider factors will be in effect for the seventh through the ninth billing months of each fiscal year (except the first fiscal year) after which the factors will return to the unadjusted levels. The Company will also make a separate 30-day filing prior to the conclusion of the third quarter reconciliation period, that returns factors to the current fiscal year unadjusted levels following the reconciliation period. This process will be repeated annually through the reconciliation of the eighth fiscal year. The last reconciled reduction will continue to apply in years following the end of the eighth fiscal year until AEP's Indiana base rates are changed.

Attachment A to the Utility's filing provided the calculations of the proposed AEP/CSW net merger savings reduction rider factors.

The tariff sheets affected by this filing for the third quarter of fiscal Year 4 are:

Eleventh Revised Sheet No. 19  
Eleventh Revised Sheet No. 19.1  
Tenth Revised Sheet No. 21  
Eleventh Revised Sheet No. 22  
Eleventh Revised Sheet No. 23  
Eleventh Revised Sheet No. 23.1  
Fifth Revised Sheet No. 31.

Please indicate your consideration and action of all the preceding items on the appropriate lines provided below.

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Jerry L. Webb  
Director of Gas/Water/Sewer Division

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I approve of all items as presented above:

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I approve of all items as presented above except:

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Not participating in the following items:

I, \_\_\_\_\_, Disapprove Items

No.

I, \_\_\_\_\_, Wish to Defer Items

No.

I hereby certify that the above is a true and correct copy of the action on the articles.

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Nancy E. Manley, Executive Secretary